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February 15, 2012

Technical Director
File Reference No. 2011-220
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Subject: File Reference No. 2011-220 – Exposure Draft, Proposed Accounting Standards Update (ASU), Consolidation (Topic 810), *Principal versus Agent Analysis*

Dear Members of the Financial Accounting Standards Board and Staff:

I am writing on behalf of Jones Lang LaSalle Incorporated to comment on the Exposure Draft of proposed Accounting Standards Update "Consolidation (Topic 810), Principal versus Agent Analysis" (the "Update") issued by the Financial Accounting Standards Board in November 2011.

Jones Lang LaSalle is a financial and professional services firm specializing in real estate. LaSalle Investment Management, the company's investment management business, is one of the world's largest and most diverse in real estate with approximately \$48 billion of assets under management. Jones Lang LaSalle Incorporated is publicly traded on the New York Stock Exchange with headquarters in Chicago, Illinois, USA.

We appreciate this opportunity to provide comments on the Update.

We understand that the stated goals of the project include addressing concerns of investment management firms and other similar entities which would have been required to consolidate certain funds that they manage, clarifying whether a decision maker is using its decision-making power as a principal or an agent, and alleviating the inconsistency in application related to substantive kick-out or participating rights present in the current consolidation guidance.

Generally, we agree with the overall content of the Update and commend the Board for identifying the issues that exist in practice and the discrepancies those issues can create in the application of the current consolidation guidance. We believe the application of the principal versus agent guidance in the Update amendments will be an improvement to consolidation analyses.

As requested, our detailed comments below are organized by question.

Question 1: When determining whether a decision maker is a principal or an agent, the proposed amendments require the analysis to consider the decision maker's overall relationship with the entity and the other parties involved with the entity. This analysis would be based on a qualitative assessment. Do you agree with this approach? If not, why?

We agree with the approach that requires a company to perform a qualitative analysis to consider its overall relationship with the entity and the other parties involved with the entity when determining whether a decision maker is a principal or an agent. We believe this approach will appropriately provide for a company to apply a "substance over form" analysis and expect it to prevent consolidation of entities for which a company's economic interests in an entity are not commensurate with its decision-making authority.

Question 2: The evaluation of a decision maker's capacity would consider the following factors:

- a. The rights held by other parties
- **b.** The compensation to which the decision maker is entitled in accordance with its compensation agreement(s)
- c. The decision maker's exposure to variability of returns from other interests that it holds in the entity.

Are the proposed factors for assessing whether a decision maker is a principal or an agent appropriate and operational? If not, why? Are there any other factors that the Board should consider including in this analysis?

We agree that each of the three factors listed above as key considerations in evaluating the decision maker's capacity as either principal or agent are both appropriate and operational.

Question 3: The proposed Update would require judgment in determining how to weigh each factor in the overall principal versus agent analysis. Do you agree that the proposed amendments, including the related implementation guidance and illustrative examples, will result in consistent conclusions? If not, what changes do you recommend?

We agree with the requirement to exercise judgment in determining how to weigh each factor in the overall principal versus agent analysis, taking into consideration all facts and circumstances of each entity being evaluated. We believe some inconsistencies in conclusions may still result after these changes given the qualitative nature of the analyses, but we believe the proposed amendments, including the related implementation guidance and illustrative examples, will result in more consistency in conclusions among reporting entities.

While the implementation guidance and illustrative examples are helpful and appreciated, we are concerned that some readers of the implementation guidance in paragraphs 810-10-55-3B through 810-10-55-3AM will interpret the examples as providing "bright line" boundaries relative to the economic interests component of principal versus agent analyses. That is, one might infer from Cases A through D that 10 percent and lower equity interests should be presumed to indicate the decision maker is not the principal, whereas 20 percent and higher equity interests should be presumed to indicate the decision maker is the principal, such that

judgment relative to the economic interests component of an analysis will only need to be applied if equity interests are between 10 and 20 percent. We recognize that rights held by others and the decision maker's compensation must also be analyzed to determine whether the decision maker is using its authority in a principal or agent capacity, but if the Board does not intend for these percentages to be used as bright lines in analyzing economic interests, we would ask the Board to consider edits to the existing examples, or consider more explicit statements, to convey more clearly that those boundaries should not be viewed as bright lines relative to that component of the analysis.

Question 4: Should substantive kick-out and participating rights held by multiple unrelated parties be considered when evaluating whether a reporting entity should consolidate another entity? If so, do you agree that when those rights are held by multiple unrelated parties, they should not in and of themselves be determinative? If not, why? Are the guidance and implementation examples illustrating how a reporting entity should consider rights held by multiple unrelated parties in its analysis sufficiently clear and operational?

We agree that substantive kick-out and participating rights held by multiple unrelated parties should be considered when evaluating whether a reporting entity should consolidate another entity, though not in and of themselves determinative. We also believe the guidance and implementation examples illustrating how a reporting entity should consider rights held by multiple unrelated parties in its analysis are sufficiently clear and operational.

Question 5: The proposed Update would not include a criterion focusing on the level of seniority of a decision maker's fees when evaluating the decision maker's capacity. Do you agree that the seniority of the fee relative to the entity's other operating liabilities that arise in the normal course of the entity's activities should not be solely determinative of the decision maker's capacity? If not, why?

We agree that the seniority of the decision maker's fees should not be solely determinative of the decision maker's capacity, but should be considered in connection with all other facts and circumstances of the entity.

Question 6: The evaluation of a decision maker's capacity places more emphasis on the decision maker's exposure to negative returns (for example, an equity interest or a guarantee) than interests that only expose the decision maker to positive returns. When performing the principal versus agent analysis, should the assessment differentiate between interests that expose a decision maker to negative returns (or both negative and positive returns) from interests that expose the decision maker only to positive returns? If not, why?

We agree that the evaluation of a decision maker's capacity should differentiate between and place more emphasis on interests with exposure to negative returns than on interests that only expose the decision maker to positive returns.

Question 7: A reporting entity would be required to evaluate whether there has been a change in the decision maker's capacity by considering whether there has been a change in the purpose and design of the entity. For example the purpose and design of the entity may change if the entity issues additional equity investment that is at risk to the decision maker. Do you agree with this proposed requirement? If not, please specify when this relationship should be reassessed and why.

We agree with the concept of reassessment when there has been a change in the purpose and design of the entity. With respect to the example provided in Question 7, we believe the purpose and design of the entity may change, or it may not, if the entity issues additional equity investment that is at risk to the decision maker. That is, if an entity issues equity that changes the decision maker's percentage ownership of the entity, we believe a reassessment of the entity would be required. However, if the decision maker's ownership percentage in the entity does not change as a result of the equity issuance, we believe that the design of the entity as it pertains to the decision maker would not have changed and therefore a reassessment of the entity would not be required.

Question 8: The Board decided to include the principal versus agent assessment as a separate analysis within the overall consolidation assessment, rather than replacing the current guidance for evaluating whether a decision-making arrangement is a variable interest (and accordingly, a principal) with the revised principal versus agent analysis. The Board believes that if an entity's fee arrangement does not meet the definition of a variable interest (for example, a nominal performance-based fee), the decision maker should not be required to continue the consolidation assessment. Do you agree? If not, why?

We agree with the Update amendments that if an entity's fee arrangement does not meet the definition of a variable interest, then the decision maker should not be required to continue its consolidation assessment.

Question 9: The Board expects the proposed principal versus agent guidance may affect the consolidation conclusions for entities that are consolidated as a result of the decision maker having a subordinated fee arrangement (for example, collateralized debt obligations). However, the Board does not otherwise expect the proposed amendments to significantly affect the consolidation conclusions for securitization entities, asset-backed financing entities and entities formerly classified as qualifying special-purpose entities. Do you agree? If not, why?

We agree that this proposed guidance should not have a significant effect on the consolidation conclusions for securitization entities, asset-backed financing entities and entities formerly classified as qualifying special-purpose entities.

Question 10: Update 2010-10 was issued to address concerns that some believe that the consolidation requirements resulting from Statement 167 would have required certain funds (for example, money market funds that are required to comply with or operate in accordance with requirements that are similar to those included in Rule 2a-7 of the Investment Company Act of 1940) to be consolidated by their investment managers. The amendments in this proposed Update would rescind the indefinite deferral in Update 2010-10 and would require money market funds to be evaluated for consolidation under the revised guidance. The Board does not intend the application of the proposed Update to result in money market funds being consolidated. Do you agree that the application of the proposed Update will meet this objective? If not, why and what amendments would you recommend to address this issue?

We agree with the Board's intention for money market funds to not be consolidated by their investment managers, and we believe the application of the proposed Update will meet this objective, but we also recommend that the Board's intent be stated explicitly in the final Update.

Question 11: For purposes of applying the proposed principal versus agent guidance, the proposed amendments would require a reporting entity to include the decision maker's direct and indirect interests held in an entity through its related parties. Do you agree with the requirements that a decision maker should include its proportionate indirect interest held through its related parties for purposes of applying the principal versus agent analysis? Why or why not?

We agree that a decision maker should include its related party interests for purposes of applying the principal versus agent analysis as illustrated by the example in paragraph 810-10-55-37A.

Question 12: The amendments in this proposed Update would require a general partner to evaluate its relationship with a limited partnership (or similar entity) by applying the same principal versus agent analysis required for evaluating variable interest entities to determine whether it controls the limited partnership. Do you agree that the evaluation of whether a general partner should consolidate a partnership should be based on whether the general partner is using its decision-making authority as a principal or an agent?

We believe that a general partner should evaluate its relationship with and decision-making authority over a limited partnership (or similar entity) by applying the same principal versus agent analysis required for evaluating variable interest entities to determine whether it controls and should consolidate the limited partnership.

Question 13: Do you agree with the proposed transition requirements in paragraph 810-10-65-4? If not, how would you propose to amend those requirements, and why? Please provide an estimate of how long it would reasonably take to implement the proposed requirements.

We agree with the proposed transition requirements in paragraph 810-10-65-4.

Question 14: Should early adoption be permitted? If not, why?

We believe early adoption should be permitted.

Question 15: Should the amendments in the proposed Update be different for nonpublic entities (private companies and not-for-profit organizations)? If the amendments in the proposed Update should be applied differently to nonpublic entities, please provide a rationale for why.

We believe the amendments in the proposed Update should be applied in the same way for both public and nonpublic entities.

I would be pleased to discuss our comments with you in further detail. If you have questions regarding our comments, please contact me at 1-312-228-2343.

Very truly yours,

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Mark K. Engel

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